

FISCAL NOTE

HB 1349 - SB 1620

March 21, 2001

SUMMARY OF BILL:

- Amends TCA 67-6-206(b)(2) relative to exemptions for industrial machinery and raw materials.
- Expands the definition of "manufacturer" to include one whose principal business is rebuilding aircraft engines. By expanding the definition those businesses would qualify for reduced tax rates on energy, reduced tax rates on water purchases, and would be exempt from sales tax on purchases of industrial machinery.

Under existing law, TCA 67-6-206(b)(2) "manufacturer" is defined as "one whose principal business is fabricating or processing tangible personal property for resale.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$19,065

Decrease Local Govt. Revenues - Exceeds \$5,740

Estimate assumes:

- Based on information contained in 1997 Economic Census, the rebuilding of aircraft machinery industry is .008% of the total manufacturing sector in Tennessee.
- According to data found on page A-99 of the FY 2001-02 proposed Budget Document, exemptions or reduced rates are listed for the following categories:
 - Energy and Water Sales to Manufacturers
State \$118,689,000
Local \$59,344,000
 - Industrial Machinery and Equipment
State \$119,625,000
Local \$12,405,000
- The total decrease in state revenues is estimated to exceed approximately \$19,065 [$118,689,000 + 119,625,000 = 238,314,000 \times .00008$].
- The total decrease in local government revenues is estimated to exceed \$5,740 [$59,344,000 + 12,405,000 = 71,749,000 \times .00008$]

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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